

Message Text

PAGE 01 SANTIA 01615 100034Z
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----044312 100036Z /61
O 091840Z MAR 78
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC IMMEDIATE 8399

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FOR ARA, D&L ONLY

E.O. 11652: N/A
TAGS: OGEN PGOV SHUM CI
SUBJECT: LETELIER/MOFFITT CASE: ARMY CAPTAIN FERNANDEZ SAID TO
BE "ROMERAL"

EMBASSY RECEIVED NUMEROUS REPORTS MARCH 8 THAT PHOTO
OF "ALEJANDRO ROMERAL" WAS REALLY THAT OF 28 YEAR OLD
CHILEAN ARMY CAPTAIN ARMANDO FERNANDEZ LARIOS. MARCH
9 "MERCURIO" FRONT PAGED THIS ASSERTION TOGETHER WITH
PHOTO OF FERNANDEZ COPIED FROM 1969 ARMY PUBLICATION.
THERE IS VERY CLOSE RESEMBLANCE TO "ROMERAL". IT ALSO
PUBLISHED COMMUNIQUE FROM CHILEAN ARMY ACKNOWLEDGING
THAT FERNANDEZ IS AN ARMY OFFICER; STATING THE ARMY
HAS NO RECORD THAT FERNANDEZ EVER RECEIVED AN OFFICIAL
PASSPORT FROM THE FOREIGN MINISTRY UNDER HIS OWN OR ANY OTHER
NAME BUT NOTING THAT FURTHER INFORMATION MAY RESULT FROM THE
INQUIRIES OF THE SPECIAL INVESTIGATING JUDGE APPOINTED TO LOOK INTO
THE PASSPORT/VISA ASPECTS OF THE CASE.LANDAU

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ACTION ARA-15

INFO OCT-01 ISO-00 SP-02 ICA-20 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 AGRE-00 EA-12 /118 W
-----045108 190051Z /21
R 181445Z DEC 78
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 1616

UNCLAS SECTION 2 OF 2 SANTIAGO 1615

6. ARE ORDERS BEING SHIFTED FROM OTHER COUNTRIES TO THE US AS A RESULT OF DOLLAR DEVALUATION? US SALES ARE GROWING, BUT MOST OBSERVERS BELIEVE THIS IS DUE TO INCREASING DEMAND IN THE CHILEAN ECONOMY RATHER THAN A SWITCH IN COUNTRY SOURCING TO THE U.S. MANY BUSINESSMEN SAY THAT THE REVALUATION OF THE SWISS FRANC, AND DEUTSCHE

MARK IS PRICING THESE COUNTRIES GOODS OUT OF THE MARKET PARTLY EXPLAINING THE INCREASE IN BRAZILIAN, SPANISH AND FRENCH EXPORTS. WE FIND A GENERAL OPTIMISM THAT US FIRMS WILL EVENTUALLY BENEFIT FROM RELATIVE PRICE REALIGNMENTS BUT, THAT THE EFFECT HAS NOT YET BEEN FELT. WE NOTICE CLEARLY, HOWEVER, THAT MORE CHILEAN BUSINESSMEN ARE BEGINNING TO SEEK OUT US SOURCES OF SUPPLY, IN SOME CASES MAINLY BECAUSE OF RAPIDLY INCREASING PRICES FROM TRADITION

AL EUROPEAN SUPPLIERS. IMPORTERS TELL US, HOWEVER, THAT MANY US FIRMS HAVE RASIED PRICED SUBSTANTIALY IN THE PAST YEAR THUS REDUCING PRICE ADVANTAGES GAINED FROM THE DOLLAR DEVALUATION. SOME BUSINESSMEN HERE HAVE COMMENTED THAT US INDUSTRY HAS NOT CAPITALIZED ON THE PRICE ADVANTAGES OF A DEVALUATION, AND THAT TRADITIONAL LACK OF EXPORT INTEREST OF U.S. FIRMS PERSISTS.

7. ARE US MULTINATIONALS SOURCING MORE FROM THEIR PLANTS AS OPPOSED TO THOSE IN THE THIRD COUNTRIES? A US VEHICLE ASSEMBLY OPERATION IN CHILE HAS SWITCHED SOURCING FROM JAPAN TO THE US FOR UNCLASSIFIED

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SEVERAL MILLION DOLLARS OF COMPONENTS ANNUALLY. THE PREPONDERANCE OF ITS COMPONENT SOURCING IS FROM BRAZIL, HOWEVER, AND REMAINS UNAFFECTED. OTHER BUSINESSMEN HAVE POINTED OUT THAT SOURCING DECISIONS ARE NOT MADE SOLELY ON THE BASIS OF PRICE BUT DEPEND ON PRODUCTION SCHEDULES AND PLANT CHARACTERISTICS. CHANGES IN SOURCING MAY OCCUR IN RESPONSE TO RELATIVE PRICES, BUT ONLY IN THE LONG RUN. CONTRACTUAL PRICE AGREEMENTS ALSO TEND TO POSTPONE DEVALUATION EFFECTS.

8. WHAT ARE MAJOR COMPETITORS DOING? THE GENERAL PRICE LEVEL OF SWISS AND GERMAN PRODUCTS SEEMS TO HAVE RISEN SUBSTANTIALY. JAPANESE PRICES, ON THE OTHER HAND, REPORTEDLY HAVE HELD OR AT LEAST HAVE NOT RISEN IN DOLLAR TERMS TO THE EXTENT OF YEN REVALUATION. US GOODS STILL GENERALLY REMAIN PRICED TOWARD THE TOP OF THE SCALE. THIS IS ESPECIALLY TRUE WHEN FACILITATIVE CREDIT ARRANGEMENTS OFFERED BY COMPETING COUNTRIES ARE CONSIDERED AS A PART OF TOTAL COST.

9. ANY INDICATION OF DUMPING TO RETAIN MARKET SHARE? NO.

10. WHAT IS THE LIKELY IMPACT ON MAJOR PROJECTS? MOST MAJOR PROJECTS ARE IN THE EARLY FEASABILITY STAGE; FEW ARE IN ACTUAL IMPLEMENTATION. THE DEVALUATION HAS HAD NO NOTICEABLE EFFECT ON ENGI-

NEERING SERVICES CONTRACTS: REPUTATION AND EXPERIENCE REMAIN THE
DECIDING FACTORS.

11. TWO OTHER FACTORS ARE CURRENTLY AFFECTING US IMPORTS TO CHILE
FAR MORE THAN THE DOLLAR DEVALUTAION. THE THREATENED ORIT-(AFLC10)
TRADE BOYCOTT AGAINST CHILE HAS ALREADY ADDED A RISK FACTOR FOR
PLACING ORDERS IN THE US. SECONDLY, ATTRACTIVE (SUBSIDIZED?) TIED
LINES OF CREDIT OFFERED BY BANKS IN BRAZIL, W. GERMANY, JAPAN,
ARGENTINA, ET. AL. HAVE HAD A DECISIVE INFLUENCE ON CAPITAL GOODS
PURCHASES IN CHILE DURING THE PAST TWO YEARS. UNAVAILABILITY OF EXIM
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OR COMPETITIVE US BANK FINANCING HAS CHANNELED MANY PURCHASERS
TOWARD COMPETITORS WITH THE BEST CREDIT PACKAGE.
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